



REQUEST FOR PROPOSALS

June 17th, 2010

PERIOD OF PROPOSAL SUBMISSION ENDS:

5:30 PM, July 9th, 2010

The U.S.-China Economic and Security Review Commission (hereafter “the Commission”) invites submission of proposals to provide a one-time unclassified report on the issues surrounding China’s roles in the international market for rare earth minerals, and the resulting impacts on U.S. economic and national security.

ABOUT THE COMMISSION. The Commission was established by Congress in 2000 to monitor and report to Congress on the economic and national security dimensions of the United States’ trade and economic ties with the PRC. Further details about the Commission are available on its website at: www.uscc.gov.

The Commission solicits this research pursuant to its Congressional mandate (contained in 22 U.S.C. 7002), which states that “The Commission... shall investigate and report exclusively on...

ENERGY. — The effect of the large and growing economy of the People's Republic of China on world energy supplies and the role the United States can play (including joint research and development efforts and technological assistance), in influencing the energy policy of the People's Republic of China...

REGIONAL ECONOMIC AND SECURITY IMPACTS. — The triangular economic and security relationship among the United States, Taipei and the People's Republic of China...

WORLD TRADE ORGANIZATION COMPLIANCE. — The compliance of the People's Republic of China with its accession agreement to the World Trade Organization (WTO).”

ABOUT PROPOSALS. The Commission solicits proposals from contractors capable of providing a one-time unclassified report on the issues surrounding China’s roles in the international market for rare earth minerals (REMs), and the resulting impacts on U.S. economic and national security.

Key issues and questions to be addressed by the report are:

1. Identify the extent of the international market for rare earth minerals, in terms both of existing mining and processing operations, as well as untapped potential sources of supply. Provide a comprehensive list of the identified sources for REM mining and processing throughout the world, along with identification of the specific REMs produced at each

location. Identify the firm(s) involved in production at each location. Also, assess the particular factors in each country – local laws, environmental impacts, government policies towards foreign investment, etc. – that affect REM production in those areas. Identify as well sites of potential REM production that are currently unexploited, and provide at least a summary analysis as to what steps might be required to commence production at these sites.

2. Identify China's overall control of the international market for rare earth minerals – i.e., what is the combined share of this market controlled by Chinese entities? In preparing this analysis, the report shall identify and analyze the nature of the Chinese entities engaged in the mining or processing of rare earth minerals. This analysis shall determine, to the extent practicable, the extent of government involvement, influence or financing of such operations.
3. Provide a list of the major products and technologies – both civilian and military in nature – that rely upon REMs for their manufacture. To the extent possible, assess the extent of Chinese-controlled market share for each major category of these rare earth minerals. What alternative products could potentially be used in place of these REMs, and what is their current level of development and/or commercialization?
4. Provide a comprehensive list of the acquisitions outside of China made by PRC entities over the past 20 years in the fields of REM mining, processing, and/or trading. As available, assess any identifiable patterns made in these deals – i.e., who are the major Chinese entities involved in these acquisitions, and what specific holdings do they control? Have certain REMs been targeted for acquisition more than others? What role, if any, does foreign capital play in these acquisitions? At a minimum, an examination of the following acquisitions or attempted acquisitions by Chinese entities should be included in this review: the purchase of Magnequench (a formerly U.S.-based manufacturer of rare earth magnets that shifted operations to China in 2002); the role of the Mountain Pass mine in the abortive 2005 purchase of Unocal; and recent acquisitions or attempted acquisitions of mining properties in Australia. Purchases or potential purchases of rare earth mining concessions in the developing world by Chinese interests are also of interest to the Commission.
5. Over the past two decades, the PRC has established a commanding position in the international REM market. What are the imperatives and goals that have led the PRC to pursue this strategy of REM market dominance? What has been the extent of PRC state encouragement and support to Chinese entities making foreign acquisitions in the REM sector (in terms of diplomatic support, favorable financing arrangements, etc.)? Are there any signs that such acquisition deals may have been tied to loans, aid packages, etc. granted to other governments? Looking back over the past 20 years, is there any evidence to support claims that PRC entities may have engaged in predatory pricing with the intent to drive international competitors out of REM production (as alleged in the case of Molycorp Minerals in 2002, etc.)?
6. Identify the major dependencies – in terms of both commercial and military products – that U.S. producers currently have on Chinese REM suppliers. Assess the impacts that these

dependencies have, and/or could grow to have, on both U.S. military supply chain security and on the productive capacities of U.S. manufacturers. Assess, as well, the likely effects that these dependencies have on the prices for goods manufactured with REMs, and the resulting impacts on the competitiveness of U.S. firms.

7. In recent years, the PRC has placed restrictions on its exports of rare earth minerals, and PRC officials have made statements in the past year indicating that REM export quotas could be tightened further. If implemented, what would be the likely impacts of these tightened export restrictions on U.S. firms? What further competitive advantages would this bestow on Chinese firms competing in emerging technology sectors heavily reliant upon REMs (electronics, communications, “green technology” manufacturing, etc.)? Also, is there any evidence to indicate that U.S. or other foreign companies may have shifted production operations to China due, at least in part, to REM export restrictions? Finally, how do such REM export quotas or other restrictions relate to China’s obligations as a member of the World Trade Organization?
8. Explicate and assess the steps taken by governments and firms in other countries (particularly Japan and Europe) to adapt their manufacturing practices in the face of Chinese dominance of the REM market.

Additional Requirements of the Commission:

1. Prior to the award of any contract, the contractor must be registered in the federal Central Contractor Registry (CCR).
2. Once a contractor has been selected for this project by the Commission and a contract signed, public notice of this will be made on the Commission’s website.
3. The Commission’s goal is to have a report prepared for review in a timely fashion. In ordinary circumstances, once a contractor has been selected by the Commission and a contract signed, a draft of the report must be submitted to the Commission for review no later than 120 days from the date of contract confirmation. The Commission will then endeavor to provide comments and requests for adjustments within 30 days; subsequently, the final report must be submitted within 30 days of formal receipt of the Commission’s comments. The Commission recognizes that, under certain circumstances, a contractor may wish to have more time to prepare the first draft of the report under the contract. The contractor, in their initial submission, should stipulate the time frame for submissions of the initial review draft. It is to be understood, however, that time is of the essence in completing research contracts for the Commission.
4. As work on the report progresses, the Commission’s Research Coordinator shall act as a representative of the Commission in monitoring the progress, quality, and responsiveness of the report to the major issues of concern identified in the RFP. The Research Coordinator shall, on request to the contractor, be entitled to informal briefings on the status of the research work and to readings of the draft in progress.

5. The contract shall be subject to termination if the Commission deems that the work is of unsatisfactory quality.
6. At the Commission's discretion, the report procured via this Request for Proposal may be posted on the Commission's website.
7. Each organization or individual responding to this request must warrant that it/he/she will perform this work solely for the Commission, and that the resulting report will not be shared with other parties without the prior written consent of the Commission.
8. The Commission expects contractors to identify all personnel working on the contract, and that there not be any delegation of responsibilities to other parties without prior written approval of the Commission.
9. After completion of the report, the Commission staff, in consultation with the Contractor, will prepare a short summary of the research for posting on the Commission's web site and other media. The Commission staff shall consult with the contractor in preparing said document.
10. A contractor will be expected to participate, as appropriate, in activities relating to the dissemination of a final report, at the discretion of the Commission. Briefing requests will be reasonable and will be subject to mutual agreement.

Primary Selection Criteria:

1. The Commission will determine which organization or individual responding to this request will be awarded the contract based on a comprehensive "best value" analysis of the proposals received, to include costs, technical value, and ability to complete the work satisfactorily and on time.
2. The primary weighting criterion in selection shall be the assessed qualifications and ability of an organization or individual to address the fundamental research points enunciated above ("key issues and questions to be addressed by the report").
3. The cost and amount of time necessary to complete the report will also be considered as criteria in the selection process.

Proposal submissions should include:

1. A statement of the applicant's relevant qualifications to satisfy the terms of this request for proposals (RFP), to include curricula vitae for personnel intended for work on the project;

2. A description of the research methodology the applicant proposes to employ. In describing methodology, the submission should provide detailed descriptions of the sources and methods that will be used to research the report's topic and the extent to which Chinese language sources, if any, and other primary minerals will be used;
3. An estimate of the time the applicant will need to complete the required work;
4. The price the applicant will charge to the Commission to complete the work set forth in this RFP.

Firms and individuals wishing to submit a proposal in response to this Request for Proposal must ensure that the response arrives at the following location by **5:30 PM on July 9th, 2010** or it will not be accepted or considered.

Electronic submissions are acceptable.

Proposals, as well as any other correspondence related to this matter, should be directed to:

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